

Message Text

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ACTION EB-08

INFO OCT-01 EA-07 ISO-00 AGRE-00 CIAE-00 COME-00 INR-07
LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 FRB-03 OMB-01 L-03
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FM USLO PEKING

TO SECSTATE WASHDC 7383

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E.O. 11652: N/A

TAGS: EEWT, CH, US, BDIS

SUBJ: TRADE COMPLAINT BY PRC AGAINST US COMPANY

1. VERONICA YHAP, PRESIDENT OF DRAGON LADY, INC., HAS TOLD US OF PEKING MEETING MARCH 10 IN WHICH OFFICIALS OF CHINA NATIONAL TEXTILE CORPORATION (CHINATEX) AIRED LENGTHY COMPLAINT AGAINST US TEXTILE IMPORTER, CALART (1407 BROADWAY, NEW YORK CITY), AND AGAINST COMPANY'S OWNERS, LEON AND PAUL CALICK. YHAP SUPPLIED FOLLOWING BACKGROUND INFORMATION.

2. YHAP INTRODUCED CALART TO CHINATEX AND ACTED AS ITS AGENT. CALART LAST YEAR SIGNED CONTRACT FOR \$40,000 PURCHASE OF GARMENTS. LETTER OF CREDIT SUBSEQUENTLY OPENED AND SHIPMENT WAS MADE BY AIR. WHEN CALICK INSPECTED GOODS, HE CLAIMED THAT THEY WERE DAMAGED, BUT REFUSED OUTSIDE INSPECTION. DESPITE CLAIM OF DAMAGE, HE TOOK POSSESSION OF GOODS AND SOLD THEM. HOWEVER, BECAUSE OF NEED FOR AMENDMENT IN LETTER OF CREDIT, CALICK'S BANK (MARINE MIDLAND) HAS NOT RELEASED MONEY TO BANK OF CHINA. CALICK HAS TOLD YHAP THAT HE MIGHT PAY CHINATEX \$20,000, BUT OTHERWISE HE HAS NO INTEREST IN SETTLING WITH THE PRC. MARINE MIDLAND IS STILL
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IN POSSESSION OF THE \$40,000 BUT IS RELUCTANT TO TRANSFER FUNDS TO BANK OF CHINA UNTIL LC CORRECTLY AMENDED (WHICH CALICK REFUSES TO DO).

3. YHAP SAID THAT PRCLO OFFICIALS HAVE RAISED SUBJECT WITH HER SEVERAL TIMES AND TOLD HER THAT THEY WILL NOT NEGOTIATE WITH CALICK ON THE QUESTION OF DAMAGES BECAUSE

HE HAS ALREADY TAKEN POSSESSION AND SOLD THE GARMENTS. THEY INSIST AS A MATTER OF "PRINCIPLE" THAT CALICK OWES THE FULL \$40,000. PRCLO REPORTEDLY ALSO RAISED SUBJECT WITH SEARLES OF NATIONAL COUNCIL FOR US-CHINA TRADE AT RECENT DINNER.

4. YHAP BELIEVES MARINE MIDLAND WILL RELEASE FUNDS TO BOC IF NATIONAL COUNCIL OR DEPARTMENT OF STATE TALKS WITH HIGHER-RANKING BANK OFFICIAL. HOWEVER, COUNCIL REFUSES TO INTERCEDE WITH MARINE MIDLAND ON ADVICE OF ITS LAWYER. WE UNDERSTAND EA/PRCM HAS ALSO TALKED WITH HER ABOUT THE CASE.

5. IN MARCH 10 MEETING YHAP OFFERED TO PAY \$40,000 BUT CHINATEX REFUSED ON GROUNDS THAT SHE IS NOT DIRECTLY INVOLVED AND THAT THEY BELIEVE IT IS MATTER OF PRINCIPLE THAT CALICK SHOULD PAY.

6. ACTION REQUESTED. YHAP WILL BE IN PEKING UNTIL SECOND WEEK OF APRIL AND WOULD APPRECIATE ANY ADVICE ABOUT RESOLUTION OF DISPUTE.

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Message Attributes

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Sent Date: 14-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
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